

## General Government Division

B-248842

July 31, 1992

The Honorable Frank McCloskey  
Chairman, Subcommittee on Postal  
Operations and Services  
Committee on Post Office and  
Civil Service  
House of Representatives



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Dear Mr. Chairman:

This is in response to your request made on behalf of Representative Joseph P. Kennedy II that we investigate concerns about the selection of a site in Waltham, Massachusetts, for a postal construction project. Representative Kennedy's interest arose from objections by the city of Waltham to the site selected by the United States Postal Service (USPS) for a new mail processing center. Waltham city officials were concerned that the proposed site was not the most suitable, lowest cost site of the alternatives considered. Specific concerns included the cost of acquiring the site and related construction costs, the need for roadway improvements to accommodate large truck operations, and the lack of public transportation to the proposed facility.

**BACKGROUND**

To improve mail processing and delivery in the Boston area, USPS developed a Boston Metro Plan in 1988 that provided for the transfer of mail processing functions from the general mail facility in Boston to the surrounding cities of Brockton, Worcester, and Waltham. New mail processing centers in Brockton and Worcester became operational in 1991.

As part of the process of locating the Northwest Center in the city of Waltham, USPS identified three contending sites --Smith Street, Nelson, and GTE. USPS bought the selected site (Smith Street) as two parcels totaling about 36 acres on December 20, 1990, for \$38 million. Three interconnected commercial buildings were on the larger parcel (about 24 acres). Plans approved by the USPS Board of Governors provided for demolition of one building, renovation of the

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other two, and new construction to provide a facility with 406,000 square feet of floor space.

The legality of construction of the Northwest Center was challenged in a suit against USPS by the city of Waltham. The decision sought by the city<sup>1</sup> was denied by the United States District Court on March 2, 1992. The city has appealed the Court's decision.

SCOPE OF WORK

To investigate Representative Kennedy's concerns about USPS' decision to purchase land and buildings at 200 Smith Street for a new mail processing facility, we visited USPS' Northeast Facilities Service Center, Windsor, Connecticut in March and June 1992. During the visits, we examined documents and interviewed USPS officials about

- the selection of the 200 Smith Street property over other contending sites,
- truck access to the proposed property,
- the purchase price of \$38 million for the Smith Street property, and related construction costs, and
- the availability of public transportation to the proposed facility.

Among the records we examined were USPS site selection and decision analysis reports, consultant reports on contending sites, the contract appraiser's report, the purchase agreement, correspondence between USPS and the city of

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<sup>1</sup>City of Waltham v. U.S. Postal Service (D. Mass. 1992) 786 F. Supp. 105. The suit was filed on May 7, 1991, in the United States District Court, District of Massachusetts seeking a permanent injunction against the construction of the facility on the selected site, or, in the alternative, a temporary injunction against any construction-related activity at the site until USPS:

- (1) prepares an Environmental Impact Statement with respect to the facility,
- (2) prepares a floodplains-wetlands study and a "no practicable alternative site" analysis,
- (3) provides a detailed explanation for all proposed environmental mitigation measures required for the facility, and
- (4) grants Waltham access to all Postal Service records related to the siting of the facility.

Waltham, USPS minutes of meetings with the Mayor and city officials, pertinent documents furnished by the city, the Memorandum and Order issued by the United States District Court, and transcripts of USPS Board of Governors meetings on the construction project.

We visited Waltham in March 1992 to (1) view the Smith Street property, (2) observe how truck traffic coming off Route 128 would get to the property, and (3) discuss with the Mayor of Waltham the city's opposition to having a mail processing center on the Smith Street property.

Our work was done between March and June 1992.

#### SITE SELECTION

After narrowing the number of contending sites to three, USPS contracted for a site feasibility study and an environmental analysis of each site. Each site had identified shortcomings, including the need for roadway improvements. Both of the consultants concluded that 200 Smith Street was the preferred site. Also favoring 200 Smith Street was a USPS February 1990 cost estimate for site acquisition and construction that showed an estimated cost advantage ranging from \$4.6 to \$5.8 million over the other sites.

The city of Waltham contended that the best located and the lowest cost site for the mail processing center was the Nelson site. In examining documentation related to USPS' evaluation of the proposed sites we determined that all three sites received comparable consideration. For example, the environmental analysis of each site considered hazardous waste, traffic, wetlands and stormwater management, utilities, visual impacts, and special construction considerations. The site feasibility study likewise addressed the three contending sites.

The city's suit against USPS included an allegation that USPS failed to adequately consider alternative sites. The Court found that the selection of 200 Smith Street was made on the basis of evaluations of environmental and financial factors and the Court concluded that USPS adequately considered alternative sites.

#### City's Opposition Not Expected

USPS notes of a January 3, 1990, meeting to discuss the three contending sites with city officials indicate that

USPS believed that the city considered 200 Smith Street as the best location for the mail processing center. The notes show that the discussion centered on the cost of needed roadway improvements at each site.

USPS, assuming that the city would not oppose the selection, agreed to purchase the Smith Street property in February 1990 and closed the purchase in December 1990. In March 1990, the Mayor of Waltham wrote USPS requesting a financial contribution to the city's Traffic Infrastructure and Maintenance Fund to reconstruct the intersection at Smith Street and Trapelo Road, noting that the intersection would not accommodate turning movements of large trucks associated with mail distribution operations. During our March visit to the proposed site, we visually confirmed that the intersection would not accommodate the necessary turning movements of large trucks.

Joint meetings continued into the summer of 1990 but with no resolution as to the amount of the USPS contribution, or whether the city would acquire the land needed to expand the Trapelo Road/Smith Street intersection.

In June 1990, USPS and the city agreed to convene a public hearing on the location of a mail processing center at 200 Smith Street. Approximately 150 people attended the June 26 hearing, the majority voicing strong opposition to the proposal.

Cooperation between the city and USPS in locating the mail processing center at 200 Smith Street essentially ended in October 1990 when USPS refused to participate in another public hearing.

#### Funds Made Available for Roadway Improvements

To provide funds for roadway improvements at the Trapelo Road/Smith Street intersection, USPS and the owner of 200 Smith Street put \$1.5 million in an escrow account. An October 19, 1990, amendment to the Conditional Agreement to Sell Real Property tied release of the \$1.5 million to the completion of certain actions by the city. Acquisition of the necessary land, by eminent domain or otherwise, was one of three actions that the city had to complete before the \$1.5 million could be used for roadway improvements. This inducement failed to secure the city's assistance in improving the planned truck route.

In April 1992, after receiving the unfavorable decision from the United States District Court, the Mayor told USPS that the city would not proceed with any actions to assist roadway improvements at the Trapelo Road/Smith Street intersection.

Currently, USPS and the city are being encouraged by a conciliator (appointed by the United States Court of Appeals) to settle their differences on the location of the mail processing center at 200 Smith Street.

#### SITE ACQUISITION AND CONSTRUCTION COSTS

Site acquisition and construction plans for 200 Smith Street were approved by the USPS Board of Governors in November 1990, at a cost not to exceed \$86.8 million, including \$38 million for land and buildings. Just prior to the Board's November meeting Representative Kennedy, in response to constituent concerns, sought postponement of a decision by the Board on plans for 200 Smith Street. Among other things, he cited excessive site acquisition and construction costs as reasons for the requested delay.

#### Site Acquisition Costs

In February 1990, USPS agreed to pay \$38 million for the Smith Street site--\$4.1 million less than appraised market value. With office buildings cited as the highest and best use for the property, the appraiser assumed that the land (36.3 acres) was legally subdivided into two separate parcels. The appraiser also assumed that an office building (about 138,000 square feet) could be constructed on the smaller parcel (12.7 acres). Although USPS could not provide us documentation showing the basis for these assumptions, the price paid (\$38 million) for the 36.3 acres does not seem unreasonable considering the appraised value (\$36.6 million) of the developed 23.6 acre parcel.

#### Construction Costs

USPS initial plans, as approved by the Board of Governors, included \$26.3 million for office and workroom space--a total of 406,000 square feet would result from renovation of existing buildings (303,000 square feet) and new construction (103,000 square feet).

To respond to the city's contention that USPS' revised plan for 200 Smith Street makes the site financially less attractive than alternative sites, we inquired about changes

in floor space requirements and the related impact on construction costs.

In response to our inquiry, USPS provided documents showing that the lower floor (79,000 square feet) of an existing building had been found unusable for workroom space and was to be replaced by additional new construction. While there has been no increase in total square footage, USPS estimates that the cost of 406,000 square feet of floor space will increase by about \$5 million. USPS believes, however, that the total project costs will stay within the authorized level of \$86.8 million.

#### PUBLIC TRANSPORTATION

The selected location for the mail processing center is not now conveniently served by public transportation and it is unlikely that such transportation could easily be provided at hours worked by most of the employees.

#### CONCLUSION

It appears that the three proposed sites received equal consideration, and the price paid for the preferred site seems reasonable based on the appraised value. The site was purchased, however, without a commitment that the city would assist with roadway improvements that require the taking of land. Without roadway improvements to permit access by large trucks, the site is not an acceptable location for efficient operation of a mail processing center. With about \$40 million invested in a mail processing center that is needed but not under construction, USPS has a considerable stake in reaching an agreement with the city, as encouraged by the Court of Appeals.

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As agreed with the Subcommittee, we are sending copies of this letter to the Chairman, USPS Board of Governors; the Postmaster General; the Mayor of Waltham; and Representatives Kennedy and Markey. Copies will also be made available to others upon request. If you have any questions, please call me on (202) 275-8676, or Willis Elmore on (202) 268-4950.

Sincerely yours,

A handwritten signature in cursive script that reads "L. Nye Stevens". The signature is written in black ink and is positioned above the typed name.

L. Nye Stevens  
Director, Government Business  
Operations Issues

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